

<b>Committee(s):</b> Ordinary Council	<b>Date:</b> 22 <sup>nd</sup> January 2020
<b>Subject:</b> Council Tax Reduction Scheme 2020/21	<b>Wards Affected:</b> ALL
<b>Report of:</b> Jacqueline Van Mellaerts Director of Corporate Resources.	<b>Public</b>
<b>Report Author:</b> Name: Rob Manser, Shared Services Revenues & Benefits Manager Telephone: 01268 208039 E-mail: rob.manser@brentwood.gov.uk  Name: Jacqueline Van Mellaerts, Director of Corporate Resources Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	<b>For Decision</b>

### Summary

The Leader agreed to review the arrangements of the Revenue and Benefits Partnership between Brentwood and Basildon Council, following a decision at PRED and some members concerns of the service area.

Following that review, this report recommends Ordinary Council approve a replacement to the current Local Council Tax Support scheme (LCTS) for 2020/21. This alternative scheme would introduce a newer, less complex Council Tax Reduction scheme (CTR) for residents who are of working age in Brentwood.

More households will be positively affected by the implementation of the new scheme.

Public consultation on a replacement scheme was undertaken from 4 November 2019 to 15 December 2019. All members were notified on 1 November 2019 with access to the consultation.

If approved the scheme will be implemented for the financial year 2020/21 and it is a requirement for approval by full council by 31 January 2020.

### Recommendation(s)

**Members are asked to:**

**R1 Approve the new Council Tax Reduction Scheme for 2020/21, as set out as Option B of this report.**

## Main Report

### Introduction and Background

1. The Welfare Reform Act 2012 abolished the existing national Council Tax benefit scheme. With effect from 1 April 2013 Brentwood Borough Council introduced a local scheme of Council Tax Support which reduced the amount of help that working age people could receive, compared with the previous national scheme. Each year, the Council has reviewed its local scheme for the year ahead.
2. Local Council Tax Support is administered by Brentwood Borough Council in order to provide financial support to people who are on a low income or are unemployed, in order to assist them in paying their Council Tax.
3. Council Tax Support (CTS) scheme has been in place in Brentwood since 2013/14. The general principles are agreed on a Pan Essex basis as any decision made by billing authorities has an impact on our major precepting bodies. In the case of Essex County Council (ECC), this impact could be significant.
4. The scheme continues to impact all working age customers in line with Government policy. Due to the different demographics of individual billing authorities, scheme designs differ across Essex; there is a common core framework, but with a number of local variations.
5. The Collection Fund will bear the cost of the Council Tax foregone income, including write-offs, with Brentwood as the billing authority bearing its share of about 11% of any losses.

Most Essex authorities will adopt the following in their schemes:

- Pensioners are protected from the changes, all changes will be for working age customers only. This is a statutory requirement.
  - Local schemes are generally means tested.
  - Support is restricted to a maximum liability, by restriction either to a specific Council Tax banding (e.g. Band D) and/or to a % of the customer's Council Tax liability before support.
  - The billing authority to make available finances to assist with exceptional hardship cases.
6. To mitigate the impact on our residents an amount of **Exceptional Hardship payments** totalling £6,288 is available for 2019/20. This is under a Council Tax sharing agreement between Brentwood and the other major precepting

authorities. £732 is the direct cost for Brentwood BC and £5,556 from the major preceptors. The funding is used only in the most exceptional circumstances and when all other attempts to recover the particular outstanding Council Tax debt have been exhausted. All of the available £6,288 of Exceptional Hardship payments will have been awarded by the end of March 2020.

### **Current Local Council Tax Support Scheme 2019/20 Caseload and Cost**

<b><u>Customers which Council provide support to.</u></b>	<b><u>Number of Cases</u></b>	<b><u>Cost of Current Scheme(£)</u></b>
Pensioner Caseload	1,403	£ 1,579,445
Working Age Caseload	1,590	£ 1,548,652
<b>Total Caseload</b>	<b>2,993</b>	<b>£ 3,128,097</b>

- The Leader agreed to review the arrangements of the Revenue and Benefits Partnership between Brentwood and Basildon Council, following a decision at PRED and some members concerns of the service area. Following that review, discussions have been made with the Leaders and Chief Executives of both Councils. Officers of the partnership presented a concept to officers and the Leader of Brentwood to help improve on the efficiencies within the service area and to change Brentwood's current Local Council Tax Support Scheme (LCTS).

### **Issue, Options and Analysis of Options**

#### **Why the need for change?**

- Brentwood's LCTS scheme is four schemes in one, the current scheme is;
  - very complicated to administer and can be considerably confusing for customers.
  - Customers apply by completing a 32 page e-form
  - A new application can take on average 22 days from receipt to awarding customers support if entitled.
  - Customers receive a large number of detailed and confusing notification letters and council tax bills.
- The main drivers for change are administration grant reductions and implementation of Universal Credit full service. Universal Credit is driving change in the way that we bill, collect and support our Council Tax customers. We have seen a reduction of around 3% in our overall Council Tax Support

caseload, this is in line with the rest of the Country. But since Universal Credit full service we have seen a dramatic increase in notified changes of circumstances received which has had a large impact on administration and related costs, as each notification has to be looked into and a decision made on any LCTS entitlement.

10. Many authorities have already amended their schemes. Across the Country 277 out of 326 billing authorities have cut the amount of Council Tax Reduction available to claimants by introducing either a minimum payment or a band cap. In some billing authorities low-income households continue to be exempt from paying Council Tax altogether whilst in others they are required to pay up to 45% of their bill.

### **What is the change?**

11. It is proposed to replace the current Council Tax Support (CTS) scheme to a Council Tax Reduction (CTR) scheme. By changing the scheme to a simple matrix table as shown in Option B below means;

- A simpler reduction scheme can easily reduce administration costs whilst also make efficiencies for the service.
- Customers should receive a greatly improved simplified journey and will see their Council Tax Reduction as part of the application process, making it more helpful to manage their finances.
- Processing claims and changes in circumstances would reduce to 48 hours to produce a council Tax bill for the customer.
- Bills are sent to customers earlier which allows the maximum number of instalments available to them.
- Long and complicated benefit notification letters will no longer be required.
- Reduces peaks and troughs within workloads
- Emphasise can be focused on collection and recovery.

### **Options for the 2020/21 Council Tax Support Scheme**

12. Public consultation on a Local Council Tax Support scheme for 2020/21 was undertaken from 4 November 2019 to 15 December 2019. The consultation focussed on three options.

13. All Members were notified of the consultation on 1 November with the required links and access.

14. Following the consultation results, which can be found later within this report, two options have been analysed for members to review in this report.

- Option A – Do nothing
- Option B – implement a new Council Tax Reduction Scheme - a localised change

15. Option B is the final proposed Council Tax Reduction Scheme. It provides generous incomes bands, allowing the least amount of customers to be affected by the change. It also continues to provide support for households with disabled residents and is the preferred option which has been included within the recommendation.

16. For clarification, Option B continues to be a localised change for Brentwood. Although the Scheme will continued to be administered by the Brentwood and Basildon Partnership, The Council Tax Reduction bandings are different and are more generous to those that Basildon administer for their own residents.

**Option A – Leaving the current LCTS scheme in place – No change**

- **The Pension Scheme** – statutory requirement where pensioners are protected.
- **The Working Age “Employed” Scheme**
  - People who reside in properties for that are bands F, G and H are excluded from claiming.
  - Can get up to 100% of the Council Tax Charged.
  - 15% Taper for income over the Applicable Amount.
  - No Non Dependant Deduction.
  - Child Benefit and Maintenance are included as part of the income.
  - Residents in council tax band E properties are restricted to a council tax band D liability.
  - Self Employed people could be subject to the minimum Income Floor.
- **The Working Age “Enhanced” Scheme**
  - Maximum award of 100% of the Council Tax Liability.
  - Residents in all council tax bands are included in the scheme.
  - No Non Dependent Deductions.
  - 20% “Taper” for income received over the Applicable Amount
- **Working Age “Other” Scheme**
  - 20% Minimum contributions from all claimants.
  - Residents in council tax band F, G and H are excluded from the scheme.
  - Residents in council tax band E properties are restricted to a band D liability.
  - Child Benefit/Maintenance taken into account.
  - No Non Dependent deductions.
  - 20% taper amount.

**Option B – Implementation of a new Council Tax Reduction Scheme (CTR) – The proposed change**

- Pension age customers remain protected from any financial changes.
- Working-age customers will receive a percentage reduction of either 100%, 75%, 50%, or 25%, this depends on the level of their net Income, the Household band they fall into and if the customer or their partner are disabled or they have disabled dependent child resident.

*This below table demonstrates the simplified banded scheme.*

Households with a disabled member will receive up to 100% council tax reduction. All other households of working age will receive up to 75% council tax reduction.							
Household	Weekly Income						
	Disabled	£0.00 - £75.00	£75.01 - £150.00	£150.01 - £225.00	£225.01 - £300.00	£300.01 - £375.00	£375.01 -£450.00
Single with no children	100%	75%	75%	50%	25%	0%	0%
Couple with no children	100%	75%	75%	50%	25%	0%	0%
Single with one child	100%	75%	75%	50%	50%	25%	25%
Couple with one child	100%	75%	75%	50%	50%	25%	25%
Single with two or more children	100%	75%	75%	75%	50%	50%	25%
Couple with two or more children	100%	75%	75%	75%	50%	50%	25%

- Singles or Couples with more than 2 children will be restricted to a Council Tax Reduction as if having 2 children.
- Unless the customer or their partner are disabled or they have disabled dependent child resident all other residents in council tax bands F, G and H are excluded from the scheme.

Other relevant changes to the new Council Tax Reduction Scheme, following results of the consultation.

- To retain the incentive that work pays, the new Reduction scheme will retain an award of 4 weeks' extended Council Tax Reduction to cover the customers first 4 weeks of work.
- A reduction in the maximum level of savings that a working aged customer can hold from £16,000 reduced to £6,000. If more than £6,000 they will not qualify.
- Removing second adult rebate (2AR). Second adult rebate is awarded when a person has a second adult living in their home that is on a low income.

## **Advantages and disadvantages of changing the Scheme**

17. The below table captures the advantages and disadvantages of the proposed new scheme.

<b><u>Advantages</u></b>	<b><u>Disadvantages</u></b>
More customers will receive a greater reduction in their Council Tax.	Some customers will be negatively impacted and will have to pay more Council Tax.
Less complicated than the current LCTS scheme which is four schemes in one and means tested.	A change for customers, officers and partners.
Allows for a simpler application process for the customer which will reduce the current 32 page e-form.	The Council may see an initial increase in complaints.
Customers will be able to see their entitlement to Council Tax Reduction as part of their application process, This should reduce decision waiting times from approximately 22 days to 48 hours for new claims.	New Scheme will cost approximately 7% more in total. Of which 0.7% will affect Brentwood Council.
Customers won't receive confusing multi-page notification award letters, which can be difficult to understand. The customer will receive a Council Tax bill showing their Council Tax Reduction.	
This scheme places the emphasis on the customer to tell us of their changes in circumstances and to manage their own finances, in line with Universal Credit.	

## **Positive and Negative Impacts**

18. Database modelling is complex due to the migration from four schemes into one scheme. However there are households that will be positively or negatively impacted within the proposed new reduction scheme.

19. Those that are negatively impacted will initially be contacted individually with a personalised letter to advise them of any change to their council tax reduction and will give them help and advice on how to reapply if they disagree with the decision. They will also be advised on any additional support available to them including but not exclusive to debt money advice and exceptional hardship payments.

Households Positively impacted	Households negatively impacted
406 households are better off due to the proposed simplified scheme and banding allocations.	23 households will no longer receive any reduction as they have over £6,000 in capital.
	25 households will no longer receive any reduction as 2AR will be excluded from the proposed scheme.
	67 households will not receive any reduction as their income is too high when comparing their household circumstances and income levels as per the new matrix table.

### Option Costs

#### **Council Tax Scheme Expenditure**

**Estimate for 2020/21  
(£M)**

**Option A – Current scheme - no change**

**£3,128,097**

**Option B – New Reduction Scheme - a change**

**£3,345,343**

20. These figures are the total scheme expenditure for each option, they do not assume any increases in Council Tax charges for 2020/21, and do not include the cost of administration.

21. The overall cost of the proposed new scheme is expected to increase approximately by £217,246, which is approximately 7%. Brentwood Borough Council's share of the Council Tax is 11% and so the scheme will cost approximately £23,897 for the borough. The cost will be account for within the

Council's Collection Fund and will not impact the Council's General Fund accounts until the year 2021/22.

## **Consultation**

22. Before final approval of the scheme, Councils are required to consult with:

- Major Precepting Authorities (County Council, Police and Fire Authorities)
- The public
- Relevant stakeholder groups

23. It was agreed with the other Essex billing authorities and Essex County Council (ECC) that during the public consultation period each billing authority would publish their proposals for a draft scheme on their individual websites with a link to a consultation hosted by ECC (who have the necessary consultation software). People who did not have access to the internet or who wished to give a more detailed response were able to deal directly with the relevant billing authority.

## **Consultation results**

24. Public consultation on a Local Council Tax Support scheme for 2020/21 was undertaken from 4 November 2019 to 15 December 2019. The consultation focussed on three scheme options.

25. All Members were notified of the consultation on 1 November with the required links and access.

**Option 1** – Implementing a New Council Tax Reduction Scheme where customer would receive a percentage reduction of their Council Tax depending on where their household make up meets their level of weekly income.

**Option 2** – Implementing a New Council Tax Reduction Scheme where customer would receive a percentage reduction of their Council Tax depending on where their household make up meets their level of weekly income with additional higher income bands to support more households.

**Option 3** - Leaving the current LCTS scheme in place.

26. Consultation took place using the Council's website, advertised through social media and through direct customer contact.

27. 49 customers responded to this consultation and answered all of the questions. We are unable to make direct comparisons with any other Council Tax Reduction consultations as this is the first consultation for 8 years.

28. Customers taking part in the consultation were asked if they strongly agreed, agreed, didn't know, disagreed or strongly disagreed with each of the options and other additional questions. The results were as follows;

We Asked	Customers Responded	We reacted
Brentwood's proposed Council Tax Reduction scheme is based on the principle that every working age resident should make at least some payment toward their Council Tax bill. How do you feel about this approach?	89% agreed or strongly agreed with this approach	Included in proposed Option B
<b>Option 1</b> - The suggested Council Tax Reduction scheme proposes that households with a higher income may have to pay more Council Tax. How do you feel about this approach?	63% agreed or strongly agreed with this approach	Not Included in proposed Option B
<b>Option 2</b> - Includes higher income bands to support more households in the Borough. How do you feel about this approach?	65% agreed or strongly agreed with this approach	Included in proposed Option B
Money received by a resident for either Disability Living Allowance, Personal Independence Payments or Armed Forces Independence Payments is already not counted as income in the calculation of Council Tax Reduction. How do you feel about this approach?	73% agreed or strongly agreed with this approach	Included in proposed Option B
Currently residents who have a disabled household member receive up to 100% support for Council Tax. How do you feel about this approach?	73% agreed or strongly agreed with this approach	Included in proposed Option B
Where the resident (or their partner) has two or more children, support will be restricted to that of a maximum family size of a couple with 2 children. This aligns to current Welfare Reform rules and Universal Credit. How do you feel about this approach?	85% agreed or strongly agreed with this approach	Included in proposed Option B
Where the resident (or their partner) is in receipt of one of the following low income benefits, 'Income Support', 'Job Seekers Allowance - Income Based', 'Employment Support Allowance - Income Related', they will automatically receive the maximum reduction	77% agreed or strongly agreed with this approach	Included in proposed Option B

available to them. How do you feel about this approach?		
Where Housing Costs are included in a resident or their partners Universal Credit, these Housing Costs will be ignored as income when calculating Council Tax Reduction as they are intended to assist with paying their rent. How do you feel about this approach?	73% agreed or strongly agreed with this approach	Included in proposed Option B
Where the resident and/or their partner hold £6,000 or more in savings, they will not qualify for any Council Tax Reduction. How do you feel about this approach?	75% agreed or strongly agreed with this approach	Included in proposed Option B
This proposal is to consider removing Second Adult Rebate from 1 April 2020, however residents on low income will still be assessed against a Council Tax Reduction. How do you feel about this approach?	61% agreed or strongly agreed with this approach	Included in proposed Option B
<b>Option 3</b> would leave the current Council Tax Support scheme in place. Not changing the scheme to one of the other options would reduce the opportunity for the Council to be able to provide a better service to its customers due to the efficiencies and simplified administration of the proposed changes. How do you feel about this approach?	39% agreed or strongly agreed with this approach 49% disagreed or strongly disagreed with this approach 12% answered I don't know.	Not Included in proposed Option B

## References to Corporate Plan

29. The Council can deliver on efficiency and effectiveness within the Revenues and Benefits department which is a key element of the proposed new Corporate Strategy which is to be reported at full Council on 22<sup>nd</sup> January.

## Implications

### Financial Implications

Name/Title: Jacqueline Van Mellaerts, Director of Corporate Resources  
Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk

30. The proposed Council Tax Reduction scheme is expected to cost approximately £23,897 for Brentwood Borough Council, which is 11% of the overall total cost being £217,246.
31. This is based on the current caseload which will change in future years depending on demand and does not include any potential future Council Tax increases. The cost will be accounted within the Council's Collection Fund. This is the account that collects Council Tax and National Non-Domestic Rates (Business Rates) and distributes any surplus or deficit to the billing authorities and major precepting authorities. The cost of the new scheme will not impact the Council's General Fund Accounts until 2021/22 when the Surplus or deficit on the Collection Fund of 2020/21 is charged.
32. The scheme was costed out to reach a cost neutral position as much as possible whilst affecting the least amount of customers. This approach and review of the banded percentages means that more customers will be positively affected which presents an expected additional cost to the scheme by 7%. This is based on current caseload which is not constant and does not include any future potential Council Tax increases. The Council still has opportunities in future years to review the bandings to make the scheme less or more expensive.

### **Legal Implications**

**Name & Title: Steve Summers, Chief Operating Officer**

**Tel & Email: 01277 312500/steve.summers@brentwood.gov.uk**

33. Schedule 1A of the Local Government Finance Act (LGFA) 1992 (as amended) states;
34. "For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme."
35. Section 13A of the same Act gives billing authorities power to reduce the amount of Council Tax payable:
- Where a person is liable to pay Council Tax in respect of any chargeable dwelling and any day, the billing authority for the area in which the dwelling is situated may reduce the amount which he is liable to pay as respects the dwelling and the day to such extent as it thinks fit.
  - The power under subsection (1) above includes power to reduce an amount to nil.

- The power under subsection (1) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination.

36. The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 determine the principles on which local schemes are to operate.

37. The statutory requirement for billing authorities to determine the annual Council Tax Base is set out in section 31B of the same Act.

### **Economic Implications**

**Name/Title: Phil Drane, Director of Planning & Economy**

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38. There are no specific economic implications. However, it is important that the Council maintain fair and robust Council Tax arrangements for borough residents, which in turn can impact the wider economy.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

### **Background Papers**

Consultation questionnaire

### **Appendices to this report**

None